

## **Assembly Bill No. 777**

### **CHAPTER 13**

An act to add and repeal Section 242 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor April 29, 2014. Filed with  
Secretary of State April 29, 2014.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

AB 777, Muratsuchi. Taxes: exemption: space flight property.

The California Constitution authorizes the Legislature to classify personal property for differential taxation or for exemption by means of a statute approved by a  $\frac{2}{3}$  vote of the membership of each house.

Pursuant to this constitutional authorization, this bill would, for the January 1, 2014, lien date to, and including, the January 1, 2024, lien date, exempt qualified property, as defined, for use in space flight.

By imposing new duties upon local tax officials with respect to the personal property tax exemption described above, this bill would impose a state-mandated local program.

This bill would make a legislative finding and declaration as to the public purpose served by the bill.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would take effect immediately as a tax levy.

*The people of the State of California do enact as follows:*

SECTION 1. Section 242 is added to the Revenue and Taxation Code, to read:

242. (a) There is exempted from the taxes imposed by this part qualified property for use in space flight.

(b) For purposes of this section:

(1) “Qualified property” means any of the following:

(A) Tangible personal property, whether raw materials, work in process or finished goods, that has, or upon manufacture, assembly, or installation has, space flight capacity, including, but not limited to, an orbital space facility, space propulsion system, space vehicle, launch vehicle, satellite, or space station of any kind, and any component thereof, regardless of whether that property is to be ultimately returned to this state.

(B) Fuel of a quality that is not adaptable for use in ordinary motor vehicles, but is produced, sold, and used exclusively for space flight.

(2) “Space flight” means any flight designed for suborbital, orbital, or interplanetary travel by a space vehicle, satellite, space facility, or space station of any kind.

(c) The exemption established by this section shall not be denied by reason of failure, postponement, or cancellation of a launch of a space vehicle, satellite, space facility, or space station of any kind, or the destruction of any launch vehicle or any component thereof, but the exemption shall not apply to any material that is not intended to be launched into space.

(d) This section shall be operative from the January 1, 2014, lien date to, and including, the January 1, 2024, lien date, and is inoperative for any lien date thereafter.

(e) A taxpayer shall provide, upon request of the assessor, evidence that the qualified property exempted from the taxes imposed by this part pursuant to this section has been or will be used as described in subparagraph (A) of paragraph (1) of subdivision (b).

(f) The exemption provided by this section from the taxes imposed by this part shall be limited to taxpayers that have a primary business purpose in space flight activities.

(g) This section shall remain in effect only until July 1, 2025, and as of that date is repealed.

SEC. 2. The Legislature finds and declares that this act fulfills a statewide public purpose because it promotes businesses within the state that consistently expand and provide secure employment in a much needed industry.

SEC. 3. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 4. Notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

SEC. 5. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

SEC. 6. An inference shall not be drawn from this act with respect to whether space flight property qualifies as “business inventories” as defined or described by Sections 129 and 219 of the Revenue and Taxation Code, or Board of Equalization Property Tax Rule 133.

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